

## Section

# 7A

## Financing

### BALDWIN COUNTY, ALABAMA

- ❑ **Industrial Revenue Bonds:** Long-term, low interest financing, federally tax-exempt or taxable, for fixed assets and soft costs secured by a bank letter of credit. May finance up to 100% of the cost of a project with minimum amount of \$1,000,000. Tax-exempt bonds are exempt from federal income taxes and limited to manufacturing projects, and must be issued by local industrial boards. Taxable bond interest rates are higher, but are not limited to manufacturing, and do not require a local industrial development board issue.
  - ❑ **Airport Revenue Bonds:** Allows companies to finance, on a tax exempt basis, certain aviation projects related to improvements at local airports. The Airport Authority issues the tax-exempt bonds with the proceeds being used to make the desired improvements (i.e. construct new hangars, etc.). The authority would own the facility and lease it to the FBO and pledge the revenues from the lease as security for the bonds. The company may be able to deduct the entire amount of the lease payments for tax purposes.
  - ❑ **AAAE Airport Capital Loan Program:** A program to make tax-exempt loans to eligible airports to finance improvements and equipment. The proceeds of the bond issue serve as a pool from which from which airports can borrow funds for either a “private activity” or a “government use”. The minimum loan size is \$1,000,000. The loan rate will be underlying weekly variable bond rate. Loans can be made for terms of up to 30 years but cannot exceed 120% of the estimated useful life of the project being financed.
  - ❑ **Tax Increment Financing:** A contiguous area created by a local governing body for capital improvements that may include property clearance, redevelopment, and rehabilitation. The funding of the improvements are from bonds that are repaid from revenue generated by the project.
  - ❑ **Special Improvement District Bonds:** A private developer would request a municipality or county to designate the proposed development as an improvement district. The revenue bonds issued to financed the improvements would be secured by assessments against the developer’s property. The revenue bonds can be used to finance certain improvements within those districts, such as land purchases, streets, water systems, sewers, and sidewalks, and office and industrial buildings.
  - ❑ **Community Development Block Grant Float Loans:** Short-term, federal, low interest loans ranging from \$1,000,000 to \$10,000,000. Terms are up to 2 years for fixed assets. Eligible activities include manufacturing and distribution. Of the jobs created (or retained), at least 51% must occupied by or made available to low and moderate income families.
  - ❑ **SBA 504:** Fixed rate, long term financing below conventional market rates for real estate acquisition, construction, expansion, renovation and equipment. Source of funds is 50% bank loan, 40% SBA and 10 to 20 percent cash or equity from the company. Terms are from 10 to 15 years from bank and 15 to 20 years from the SBA portion. Limited to \$750,000 participation by SBA and based on job creation of one job per \$35,000 of SBA funding.
  - ❑ **SBA 7A:** Long term financing for fixed assets, inventory and working capital by guarantee or direct loan. Terms range from 10 years for equipment, 25 years on real estate and buildings, and 7 years on inventory and working capital. Guarantee is limited to 75% up to a maximum loan amount of \$1,500,000.
  - ❑ **USDA Rural Utility Service - Zero Interest Loans:** Federal, low interest loans made through Baldwin EMC for project feasibility studies, start-up costs, incubator projects and other reasonable expenses. Amount for loans ranges from \$10,000 to \$400,000. Loan requires a letter of credit from the borrowing company. Terms are up to 10 years and deferrals of payments are possible. Selection of recipients is based on job creation, unemployment rates and other factors.
- AMEA Capital Fund:** Zero percent interest, short-term loans to public and non-profit organizations through Alabama Municipal Electrical Authority (City) Member Systems. Funds can be used for fixed assets, utilities, design and construction of industrial parks and shell buildings. Source of funds is AMEA and is limited to \$200,000 and/or 75% of project costs. Repayment term is 5 years. Limited to geographic areas served by AMEA member cities.
- Baldwin County EMC Revolving Loan Fund:** Low interest, short term loan which can be used for acquisitions, construction and rehabilitation of commercial and industrial buildings, purchase of capitalized machinery and equipment with a useful life of 5 years, and real property. Terms are up to 5 years with interest of prime, from \$20,000 to \$200,000.